

THE ASSOCIATION OF PVO FINANCIAL MANAGERS

Marc

h 16, 2001

Department of Health and Human Services
200 Independence Avenue, S.W. Room 517-D
Washington, D.C. 20201
ATTN: PL 106-107 Comments

Fax; (202)-690-8772

Dear Colleagues at the Department of Health and Human Services:

This letter is in response to the Notice issued January 17, 2001 soliciting comments associated with the Federal Financial Assistance Management Improvement Act (PL 106-107). It represents the consensus

position of this Association based on past positions taken with respect to government-wide policies as well as specific comments received over the last sixty days from individual association members. This Association is composed of chief financial officers and other financial professionals from over ninety private voluntary organizations providing humanitarian and economic development assistance in countries of the developing world. These organizations receive financial support from governments, corporations, and foundations, and the public. U.S. Government financial and commodity assistance is received from several different federal departments and agencies 'including the Departments of State; Justice; Agriculture; Health and Human Services; the Environmental Protection Agency; and the Agency for International Development (USAID). The latter is the predominant source of funding for many of our members. Accordingly, we have sent a letter providing specific PL 106-107 comments to the USAID agency contact.

The Association has actively participated in previous opportunities to comment on policies associated with the administration of federal assistance programs. These have included providing extensive input on the proposed revisions to OMB Circular A-122 (October 1995) and OMB Circular A-133 (November 1996) and continuing input on the implementation of OMB Circular A-110 by USAID in 22 CFR 226. Because of the importance of these Circulars to the structure and uniformity of federal policies on assistance management, we are concerned that the position taken by federal agencies participating in the PL 106-107 process that revisions to these documents and implementing regulations "is not a current focus." It is our belief that the maximum degree of impact of the legislation can only be achieved if valid suggestions made by our organization and others are incorporated into binding government-wide policy and consistent awarding agency regulations.

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the federal agencies should jointly reinforce the policy of recognition of negotiated rates by all parties-federal agencies and pass-through entities. A lack of uniformity in this practice leads to numerous cost charging and accounting difficulties and inaccuracies.

(3) PAYMENT SYSTEMS

(a) Since federal policymakers mandated that individual agencies will rely on the payment systems of a few large federal departments, members of this Association have experienced a change in the payment activity for most grants and cooperative agreements to the Payment Management System of the U.S. Department of Health and Human Services. However, because of a lack of effective testing, reconciliation and coordination between USAID and DHHS, there have been significant difficulties. The authorization balances for many organizations have been understated, in some cases, by millions of dollars. Significant accounting effort and follow-up has been required and problematic delays in receiving drawdowns have occurred frequently. There has also been a "ripple effect" because of the need to report accurately on the PMS Form 272 (on cash transactions). While the Association has no general objection to cross-serving arrangements of this type on payment or any other financial related matter, it does believe that strong proactive efforts need to be made by federal officials prior to any transitions. That does not seem to have occurred in this case and the result is an accounting and financing problem that has continued for nearly two years. This Association is preparing to provide additional details based on the experiences of individual members to responsible federal staff in a constructive attempt to resolve the remaining difficulties. However, it believes that the experience in this case shows that possible future changes in payment arrangements should be handled with the utmost care.

(4) AUDIT ISSUES

(a) Untimely finalization of provisional negotiated indirect cost rates and the inability to close-out awards received from federal agencies hampers both private voluntary organizations and those agencies in the conduct of audit and audit resolution. OMB and the federal agencies should encourage the use of alternative but still authorized standard methods to calculate and finalize indirect cost claims under awards (such as the fixed rate with carry-forward or predetermined rates). These are less labor intensive and can result in more timely, accurate and complete financial reporting. The Association is presently surveying members to obtain indirect cost reconciliation experiences that can shed further light on what is currently perceived as one of the most significant federal assistance management problems they face. We plan to provide this information to OMB and federal agency staff for their review and consideration.

(5) ELECTRONIC PROCESSING

(a) Association members overwhelmingly support the notion of electronic application and reporting systems- Because of their worldwide reach and the attendant logistical and time problems that result, PVO's currently rely heavily on electronic communication between field offices and headquarters, To date, the only significant experience for most PVO's has involved the DHHS Payment Management

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System which, as noted above, has not been a uniformly positive one. However, there is a high likelihood, that if administered well by my awarding agency, PVO's would use on-line application and reporting systems,

We hope that these comments are helpful in framing your plans for implementing PL 106-107. We stand ready to work with federal agencies to advance the jointly held goal of improved federal assistance management.

Sincerely,

Chairperson

Director